

State Senator

# Burton Leland

## HOW TO AVOID BAD CONTRACTORS

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### A Guide to Safe Home Improvement

*Dear Neighbor,*

*The home improvement season is right around the corner. While there are plenty of honest, hardworking contractors in our community, we must all be on the lookout for scam artists and crooks. During the past couple of months, I've received more than 200 complaints from residents in my district about contractors who damaged their homes and then disappeared or overcharged for sub-standard work. Most of the victims are elderly. Others just didn't know what signs to look for to protect themselves from these unscrupulous vultures.*

*In response to these personal testimonies, I'm working on legislation that would strengthen the penalty for fraud committed by unlicensed residential building contractors. It would also provide you with greater access to information regarding your rights and the resources that are available to help you make safer decisions when choosing a contractor.*

*The information provided in this newsletter is by no means all there is to know on the subject, but it is a good place to start. As with all business deals, take your time and do research before selecting a contractor to work on your home. Never hire anyone who walks up to your door promising to do wonders with your home.*

*Sincerely,*

*State Senator • District 5*

# How to Avoid Bad Contractors

**E**ach year, home remodeling contractor problems rank among the top 10 consumer complaints to the Better Business Bureau (BBB). In fact, the BBB has received more than 7,000 complaints each year during the past decade. Americans lose an estimated \$35 million each year to everything from shoddy workmanship to outright scams. To avoid falling into this category:

- Contact your local Better Business Bureau to investigate your contractor's background.
- Call the state licensing agency to confirm your contractor's ability to operate.
- Get all the details written into the contract before signing it.

These “fly-by-night” artists fall into three broad categories.

First, there is the contractor who promises anything at any price, demands his money up front, and vanishes. Then there is the contractor who intentionally bids below his legitimate competitors, then makes costly changes or skimps on workmanship to make a profit. Lastly, there is the contractor whose good intentions are outweighed by incompetent estimates and overall poor judgment, which costs you money.

## Good Sense Saves Money

**P**rofessional groups advise it's also good sense to make sure the contractor you choose has:

- Verifiable business licenses, certification, and professional affiliations.
- Previous work experience, including a verifiable list of local customer references.
- Financial security—check banking and supplier references.
- Adequate insurance to protect you and your property against loss or suit.
- Good communication skills.

That last item should not be taken lightly. When you get down to writing the contract, clear communication on both

sides is the single best insurance against a remodeling nightmare.

The contract should include:

- Detailed descriptions covering all aspects of the work to be done.
- Remodeling plans signed by both parties.
- Payment plan (never pay more than 30 percent down).
- Start/finish dates.
- Change orders are to be approved by you before work is done.
- Final inspection and sign-off prior to final payment.

## Paying the Contractor

- Never pay for the entire job in advance.
- Make a deposit when work begins to cover materials and startup costs. Pay by check to the company name and ALWAYS get a receipt.
- Make scheduled payments as work progresses.

# Recovery Fund Protects Your Home

**H**omeowners are protected from licensed contractors who, after being paid for their work, fail to pay their subcontractors, suppliers, or laborers. Many times, the unpaid subcontractors place a lien against a homeowner's property, putting the homeowner in the middle of their disagreement with the contractor.

The Michigan Homeowner Construction Lien Recovery Fund pays such claims and protects you from having to pay off the lien. This is possible due to a \$50 assessment on each new residential builder, plumber, and maintenance, alteration, electrical, and mechanical contractor licensed by the State of Michigan.

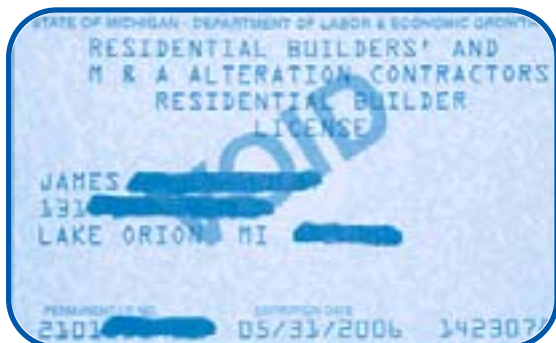
## Take It to the Board

**S**tate lawmakers created the Michigan Residential Builders and Maintenance & Alteration Contractors Board in 1980. This group regulates persons who build homes and businesses and also those who perform repairs, alterations,

Experts say that you may be named in the process of filing the lien, but if you have fully paid the contractor, you will not have to pay again. The Fund was created to protect both the homeowner and the professionals who provide materials or labor for a job headed by a licensed contractor. The Fund does not pay losses on apartment buildings, custom homes, or commercial construction. If you use an unlicensed contractor, work is done at your own risk.

For more information, contact the Fund at **(517) 241-9241** or visit [www.michigan.gov/constructionlienfund](http://www.michigan.gov/constructionlienfund).

additions, improvements, etc. The Board requires all contractors to display a state license in their place of business. All contractors and their salespersons must carry a pocket card as proof of authorization. If a contractor cannot produce a license or pocket card, call the License Verification hotline at **(517) 241-9427** or check online at [www.michigan.gov/verifylicense](http://www.michigan.gov/verifylicense). Sorry, there is no toll-free phone number available.



## Did You Know?

**Low-cost updates can significantly affect the attractiveness and final sales price of a home. With that in mind, here are some affordable suggestions:**



- 1. Redecorate** - Think neutrality, simplicity, and openness. Fresh paint, new floor coverings, and updated drapes work well.
- 2. Kitchen Improvements** - Refinishing cabinets, replacing sink and faucets, and painting and replacing countertops will often pay dividends.
- 3. Bathroom Improvements** - Refinish cabinets, paint, and update faucets and fixtures.
- 4. Exterior Facelifts** - Repair obvious deficiencies. Fresh paint and generous landscaping help.
- 5. Add a Bathroom** - Especially in homes where no powder room exists on the first level. Or, in floor plans that have parents and children sharing a bathroom.



**State Senator**  
**Burton Leland**

*P.O. Box 30036  
Lansing, MI 48909-7536*



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## How to Contact Senator Leland



**In Detroit:**

17254 Bentler  
Detroit, MI 48219  
313-537-7166

**In Lansing:**

Room 315  
Farnum Building  
P.O. Box 30036  
Lansing, MI  
48909-7536

**Phone:**

517-373-0994

**Fax:**

517-373-5981

**E-Mail:**

SenBLeland@senate.  
michigan.gov

**World Wide Web:**

www.senate.  
michigan.gov/leland

## Keep It Simple, Please!

Understanding “fancy” words and phrases can make the difference between entering into a contract with full knowledge and being duped. Following is a short list of terms that, if not understood, will wreak havoc on your home improvement project:

- **Cancellation rights:** When you sign a remodeling contract, you have three business days to change your

mind and cancel it.

Contractors are required to tell you this and provide you with any cancellation forms available.

- **Lien protection:** On large projects involving subcontractors, protect yourself from liens against your home by placing your payments in escrow until the work is finished.

- **Permitting:** It is the contractor’s responsibility to obtain any building permits needed and to perform the work in accordance with all building codes.

- **Warranty clause:** Make sure all warranties on products and materials installed by your contractor are in writing and verified.